

Message Text

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ACTION EUR-12

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C O R R E C T E D C O P Y (MRN 1031 VICE 0131)

E.O. 11652: N/A
TAGS: ETRD,EIND, CA, US
SUBJECT: CANADIAN AUTO PARTS INDUSTRY - SPEECH BY INDUSTRY
ASSOCIATION PRESIDENT

REF: A) OTTAWA 3260; B) TORONTO 1009

1. SOME OF THE FINDINGS OF THE CANADIAN GOVERNMENT STUDY OF THE
NORTH AMERICAN AUTO INDUSTRY (THE ARTHUR REPORT) WERE PRESENTED BY
PATRICK LAVELLE, PRESIDENT OF THE CANADIAN AUTOMOTIVE PARTS MAN-
UFACTURERS' ASSOCIATION (APMA) IN A SPEECH TO THE ASSOCIATION'S
ANNUAL MEETING APRIL 27, LAVELLE DESCRIBED THE REPORT AS "OBJECTIVE",
"FACTUAL", AND "MORE COMPREHENSIVE" THAN THE COMPARABLE U.S. STUDY,
AMONG ITS MAJOR FINDINGS HE LISTED: (A) THE
MAJORITY OF CANADIAN PARTS MANUFACTURING PLANTS ARE COMPETITIVE
"IN THE VOLUME CAPACITY OF THEIR PRODUCTION", WHICH NOT HIGH-VOLUME
BUT GEARED TO "LOW-VOLUME REQUIREMENTS" OF THE ASSEMBLERS.
(B) CANADIAN INDUSTRY IS "RELATIVELY PROFITABLE" WITH A GOOD CASH
FLOW AND IN A GOOD POSITION TO FINANCE EXPANSION "GIVEN A STABLE
ECONOMIC
ENVIRONMENT ON INVESTMENT." (C) GAP BETWEEN CANADIAN OEM PARTS
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CONSUMPTION
AND PRODUCTION WILL CONTINUE TO WIDEN UNLESS THERE IS SUBSTANTIAL
INCREASE IN CAPACITY. (D) BIG FOUR AUTO COMPANIES WILL HAVE TO
SPEND DOLS 2 BILLION BY 1980 TO MEET LEGISLATIVE REQUIREMENTS AS WELL
AS REQUIREMENTS OF AUTO PACT. NO INDICATION THAT ANY OF THIS
INVESTMENT DESTINED FOR CANADA. (E) OEM PARTS PRODUCTION LIMITED
BY CURRENT CONTRACTS AND CAPACITY OF THE INDUSTRY; OVERALL

TRADE BALANCE IN AUTOMOTIVE SECTOR WILL IMPROVE BUT PARTS IMBALANCE
WILL CONTINUE TO WORSEN.

2. LAVELLE EXPRESSED HOPE THAT REPORT ("THE AUTHORITATIVE
DOCUMENT ON THE CANADIAN AUTOMOTIVE INDUSTRY") WOULD BE MADE PUBLIC,
BUT SAID THERE ARE FEARS, "PARTICULARLY IN THE UNITED STATES,
THAT RIOTS WOULD BE INCITED IN THE U.S. CONGRESS IF IT WERE.
HE CALLED FOR PARTICIPATION BY ALL CANADIANS, INCLUDING UAW, IN
DEBATE OVER FUTURE OF AUTOMOTIVE AGREEMENT AND "ANY OTHER BILATERAL
AGREEMENTS WHICH WE MIGHT HAVE IN MIND WITH THE UNITED STATES".

3. "THE LONG LABORIOUS AND PAINFUL RE-EXAMINATION OF THE
AUTOMOTIVE AGREEMENT IS UNDERWAY, LAVELLE SAID, NOTING THAT THE
SITUATION IS FINALLY APPRECIATED IN OTTAWA. PRIME MINISTER
TRUDEAU HAS WRITTEN HIM OF CONFIDENCE "THAT BOTH THE AMERICAN
AND CANADIAN OFFICIALS WILL MOVE IN ALL HASTE TO ESTABLISH A
BASIS FOR FURTHER DIALOGUE". LAVELLE ALSO QUOTED ITC MINISTER
CRETIEN, WHO "RECEIVED A POSITIVE RESPONSE" IN
WASHINGTON TO SUGGESTION FOR "NEW AND MORE INTENSIVE DIALOGUE."

4. IN INTERVIEW WITH TORONTO GLOBE AND MAIL, LAVELLE REFERRED TO
U.S. RECEPTIVITY TO "MONITORING AGENCY" (REF A). CONGEN HAS BEEN
UNABLE TO REACH LAVELLE FOR CLARIFICATION.
DIGGINS

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